

CIRCULAR LETTER
To
ALL COMMERCIAL BANKS
IN INDONESIA

Concerning : Blanket Guarantee Interest Rate for Deposit and Interbank Money Market

In reference to Bank Indonesia Regulation Number 6/11/PBI/2004 Dated April 12, 2004 concerning Blanket Guarantee Interest Rate for Deposit and Interbank Money Market (State Gazette of the Republic of Indonesia of 2004 Number 39, Supplement to State Gazette Number 4383), and in view of Decree of Minister of Finance Number 84/KMK.06/2004 dated February 27, 2004 concerning the Alteration on Decree of Minister of Finance Number 179/KMK.017/2000 concerning the Requirements, Procedure and Provisions on the Implementation of Government Guarantee on Commercial Banks Liabilities, it is deemed necessary to stipulate the provisions concerning Blanket Guarantee Interest Rate for Deposit and Interbank Money Market as follows:

I. BLANKET GUARANTEE INTEREST RATE FOR DEPOSIT

A. General Provisions

For Blanket Guarantee Program, the Government shall only guarantee received Deposit having interest rate not higher than the stipulated interest rate maximum margin.

B. Maximum Interest Rate Margin for Deposit

1. Maximum interest rate for Deposit under Government Guarantee in Rupiahs is set at the weighted average SBI discount rate in 3 (three) months on the last auction added or subtracted by certain margin.
2. The margin as referred to in number 1 shall for the first time be set at:

Period of ...

Period of Deposit	Margin (basis point)
1 month	Added by 0 (zero)
3 months	Added by 5 (five)
6 months	Added by 10 (ten)
12 months	Added by 25 (twenty five)
24 months	Added by 55 (fifty five)

3. The maximum margin for Deposit interest rate in US Dollars foreign currency under Government Guarantee shall be set at the average deposited interest rate in US Dollars foreign currency at Jakarta Inter Bank Offered Rates (JIBOR) member banks selected by Bank Indonesia 1 (one) month earlier for certain period of time.
4. The margin as referred to in number 3 for Deposit for the period of 1, 3, 6, 12, and 24 months for the first time shall be stipulated with an addition of 0 (zero) basis points.
5. In the event that the Deposit is in Non-US Dollar foreign currency, the deposited Non-US Dollar shall be converted into US Dollar for both the basic deposit and the interest, based on the market average rate on the paying day calculated by Bank Indonesia from the opening of market until 12.00 WIB.
6. The maximum interest rate for Deposit under Government Guarantee in Non-US Dollar foreign currency shall be set at the highest of the amount of maximum Deposit interest rate in US Dollar foreign currency as referred to in number 3.
7. In the event that a Bank having offered a higher interest rate for deposit in Non-US Dollar foreign currency compared to the stipulated maximum margin for deposit in US Dollar foreign currency as referred to in number 3, the Government shall only guarantee basic deposit added by interest based on the stipulated maximum margin for deposit in US Dollar foreign currency. The

example of ...

example of calculated conversion of third party deposit in Non-US Dollar foreign currency is provided in the Appendix.

C. Announcement of the Maximum Interest Rate under Government Guarantee

1. The maximum Deposit interest rate under Government Guarantee in Rupiah and foreign currency shall be announced by Bank Indonesia every month on the first two working days before commencing the early month in the term of guarantee and shall be valid for the period of 1 (one) month.
2. If considered necessary, Bank Indonesia shall be able to announce the information referred to in number 1 on a different day.
3. The announcement as referred to in number 1 shall be made through Money Market Information Center (PIPU).
4. A bank shall be required to provide an announcement concerning the interest rate on Deposit received by the Bank in the customer service location or other locations considered visible to the customers in each of its offices.
5. A Bank having offered different interest rate for Deposit for limited amount of deposit (multiple deposit rates) shall announce all the interest rates complying with the condition that the highest offered interest rate shall not be higher than the stipulated maximum interest rate margin.
6. A bank shall be required to provide the announcement on maximum interest rates announced by Bank Indonesia in near by location to the announcement as referred to in number 4.
7. In particular for a bank having included in Government Guarantee Program for commercial bank payment obligation, shall be required to provide an announcement containing the following:

ANNOUNCEMENT

Bank Indonesia and the Minister of Finance is hereby declaring that a customer deposit interest rate for each period of time that is higher than the maximum

interest.....

interest rate stipulated by Bank Indonesia in Rupiah or US Dollar foreign currency shall not be guaranteed by the Government for all the basic deposit and the interest rate.

II. INTER BANK MONEY MARKET UNDER GOVERNMENT GUARANTEE

A. General Provisions

1. A bank shall be able to set PUAB interest rate based on the market interest rate.
2. In the event that a Bank having offered a higher PUAB interest rate compared to the stipulated maximum margin for interest rate, the Government shall guarantee PUAB basic deposit added by interest based on the stipulated maximum margin for interest rate.

B. Maximum PUAB Interest Rate

The maximum PUAB interest rate in Rupiah and US Dollars foreign currency under Government Guarantee shall be set at the average morning overnight PUAB interest rate in Rupiahs and US Dollars foreign currency at Jakarta Inter Bank Offered Rates (JIBOR) member banks selected by Bank Indonesia 1 (one) month earlier.

C. Announcement for Maximum Interest Rates under Government Guarantee

1. The maximum PUAB interest rate under Government shall be announced by Bank Indonesia monthly on the first 2 (two) working days before the early month of the commencing period of guarantee and shall be valid for the period of 1 (one) month.
2. If considered necessary, Bank Indonesia shall be able to announce the information referred to in number 1 on a different day.
3. The announcement as referred to in number 1 shall be made through Money Market Information Center (PIPU).

With the ...

With the promulgation of this Circular Letter, Bank Indonesia Circular Letter Number 6/16/DPNP dated March 31, 2004 concerning Blanket Guarantee Interest Rate for Deposit and Interbank Money Market is declared no longer valid.

The provisions in this Circular Letter shall come into force on April 26, 2004.

For the public to be informed, it is ordered that this Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA,

Signed

BUDI MULYA
DIRECTOR OF MONETARY MANAGEMENT